RICHARD RUSSELL'S **DOW THEORY LETTERS, INC.**

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March 30, 1977 **LETTER 693**

Mar. 18, DJIA 961.02; PTI 852; A-D Ratio –19.23
Mar. 25, DJIA 928.80; PTI 815; A-D Ratio –20.17

THE PICTURE: As a rough guess, I would say that approximately one-third of the market's major movements are obvious in that what the market is "saying" is clear and understandable. For instance, during late 1975 when the market rallied strongly, it seemed clear that Wall Street was discounting better times for 1976 (following the end of a severe recession). Actually, business news **was** improving at the time, and the market rallied as it reflected the visibly better business environment.

So much for the easy part. Unfortunately, I would also guess that about two-thirds of the time the market is engaged in actions that are either puzzling, murky or totally incomprehensible. The period of early 1976 to the present should certainly be labeled as an example of that kind of market.

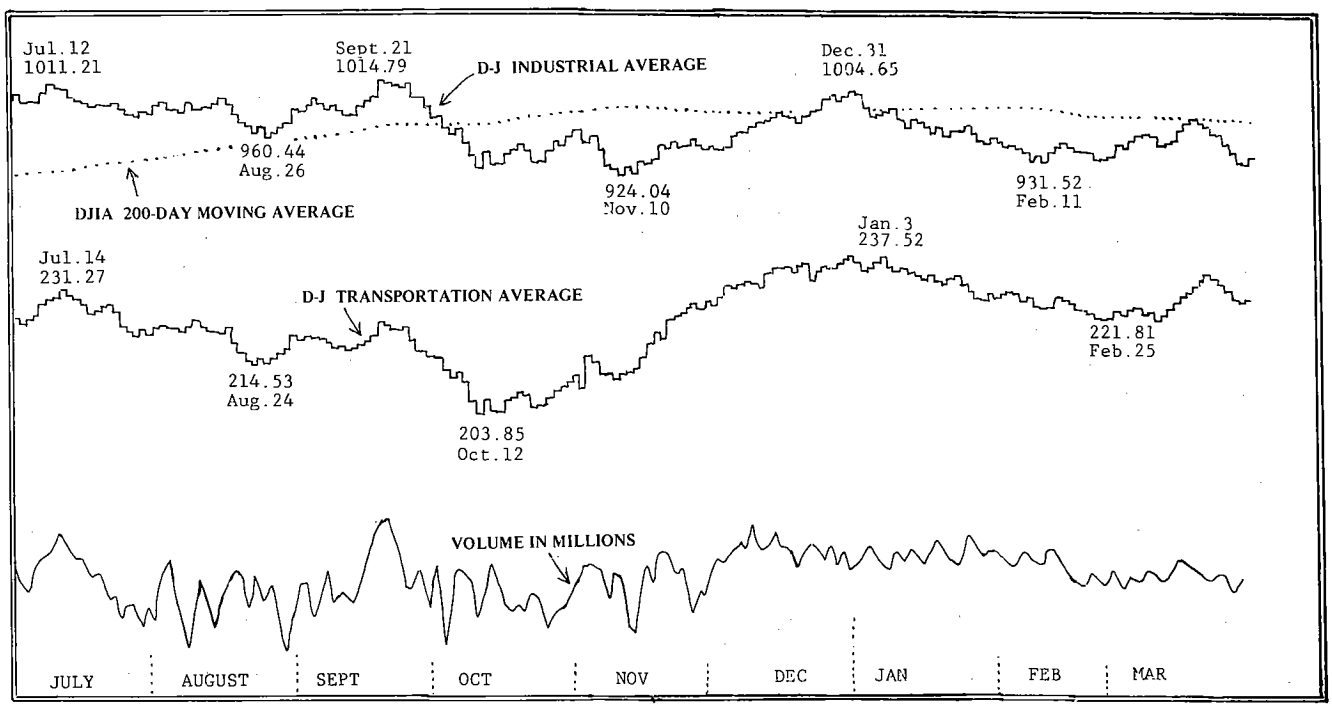
During most of the 1976-77 period, I had little to go on except my belief that the primary bull trend remained in force. Ironically, as 1976 wore on and as 1977 entered, the news, instead of improving, grew progressively worse. Market forecasts during this period changed from "more sideways movement" and "a big rise in late 1976" to "bear market ahead" and "a resumption of the 1973-74 collapse."

The first three months of 1977 have been, to put it mildly, rather dismal. During the period we have seen a resumption of sluggish business, a terrible and costly frost in the Eastern US, a tragic drought in the West, whopping US deficits, the return (at least temporarily) of double digit inflation, a rise in the price of gold, and last but not least an intensification of the energy crisis.

In the March 17 *Wall Street Journal* there appeared a two-page advertisement by the President of Dresser Industries regarding the worsening energy situation. Unless much more is done and done quickly, stated the ad, the US will be faced with the worst depression in its history plus a totally different life-style, one that will see Federal regulators visiting our homes (to check whether we are using too much energy), and one that will see the use of all forms of transportation drastically curtailed. I must admit that the ad produced an involuntary shiver at the base of my spine, while my hair tended to stand on end.

After reading that advertisement, I turned to the last page of the Journal and stared at the chart of the Averages, I stared long and hard. At this point, there are two ways of looking at this market. The pessimist can say that the 1977 performance, so far, has been a thorough "bummer." The market has done little but bounce around testing bottoms or sinking as it probes for new lows. In the meantime, some of the nations' most honored equities (Eastman Kodak, Disney, Burroughs, International Paper, MMM, etc.) have acted as if someone had pulled the rug out from under them.

On the other hand, the optimist can point to the fact that the Averages are still holding above lows established last October and November, and this in the face of the profusion of depressing and ominous news. Furthermore, the advance-decline ratio (which tends to act like an unweighted average) is still within two points of its bull market high recorded on January 3. Add to this the fact that the major composite Averages are still holding within their "line" ranges of the last 14 months, state the bulls, and you have a market that could



be simply backing off, absorbing mountains of bad news, building a base for the better action that should lie ahead.

Personally, as long as one or both of the Averages hold above their October-November lows, I am going to remain hopeful about the nation and hopeful about the stock market. In my opinion, however, there have been few times in American history when so much is at stake and when the future is so critically dependent on what is done now.

I was particularly struck by some comments from my old friend, Eliot Janeway, comments received here this week via his famous *Janeway Letter* (15 E. 80 St., NY 10021). Uncle Eliot, who has been guardedly optimistic about the Carter economic program, now seems (via Bert Lance) to be increasingly optimistic, thereby "confirming" the opinion of another of my favorite (and one of the very best) economists, S. Jay Levy. Says Janeway: *"Last Tuesday, Lance put all the authority of the White House behind a policy switch from reliance on consumer spending to business investment. He committed the Administration to stop relying on subsidized hand-outs to lower brackets to trickle up into the investment stream; and to start removing the cost obstacles the government has put into the investment stream. He said loud and clear to 1300 executives....that more capital is the way to less inflation–this on the day after Schultze was retired as the President's chief economic adviser."*

Janeway then notes that nobody seems to have gotten the message which Mr. Lance is sending out. He continues,*"The unusual delay in public recognition of the Administration's policy switch is....bullish. Gas de-regulation, the go-ahead for coal, a place for nuclear power in a balanced energy program, and new reliance on corporate capital investment to soak up unemployment and inflation simultaneously–it's beginning to add up to a reversal from the packaged liberalism of the $50 rebate which has scared the markets to death without cheering its customers. The scare is still on, but the reason for it is fading away."*

For my part, I tend to agree with Janeway and Levy that better things are on the way. I am also getting the curious feeling that Carter is still searching for a big "cause," and the cause he may finally be zeroing in on is US Government spending (with perhaps its correlary–real tax reform). Carter has said that he is shooting for a balanced budget by 1981, and I am beginning to feel that he (unlike other recent Presidents) may actually mean it. If so, then we are going to see some shockers in the period ahead, shockers such as a cut in military spending, a cut in HEW and HUD spending, cuts across the board on the part of the US Government. It just could happen, and Carter could be the man to bring it about.

But I don't want to bias my readers with my views on Administration policy. I would much rather let the market tell all of us where our fate lies. People often write and ask, "Russell, how can you have such faith in the stock market and your reading of the Averages. I saw in the *Wall Street Journal* where this, that and the other thing are bound to happen. Furthermore, my uncle who works at Westinghouse says that if we don't do such and so immediately, then....fire....brimstone....disaster, and probably within a month or so."

And all I can say is that based on my own experience, anytime I think I have brilliant inside information or more knowledge or better reasons than the market for knowing "what's got to happen," I am wrong. Invariably I find that the market can and does discount the future better than any president or king, any congress or treasurer, any man or group of men. So let's leave it to the Averages, and try to understand what they are saying.

THE MARKET: The market of the past 14 months may not have made us happy, it may not have made us any real profits, but it sure has been teaching us something about Dow's Theory and how the Averages work.

Important secondary low points were recorded by the Averages late last year, Transports at 203.85 on October 12 and Industrials at 924.04 on November 10. I don't have to recite the list of frosts, droughts, dismal business statistics, deficits and general disappointments which have surfaced since then. Suffice it to say that it has not been the happiest of times. Nor are we guaranteed that the "gray days" are over. Wall Street is now awaiting President Carter's April 20 pronouncements on the energy crisis, and the Averages have no doubt been backing off to protect themselves against any frightening potential in this area.

But veteran investors have learned (usually the hard way) that the more emotional the business background, the **less emotional** one should be regarding the stock market. The study of the Averages is the oldest of all technical studies. To my mind, it is still the most reliable technical study, the most interesting and in many ways the most difficult. It is difficult because it is not possible to produce formulas or operating manuals where the Averages are concerned. I've been studying the Averages for a quarter of a century, and if there was a gimmick, a device, a system or a sure-fire way of "gettin' 'em right," I'll swear I would have found it. I haven't so all I have to go on is my experience, some skill, my intuition and a large amount of perspiration.

With that out of the way, I'm going to ask my readers to turn to the page 1 chart of the Averages. First, take note of the October-November lows of 203.85 (Transports) and 924.04 (Industrials). I've been talking about those lows for the past four months; and they're still there, and they still have not been violated.

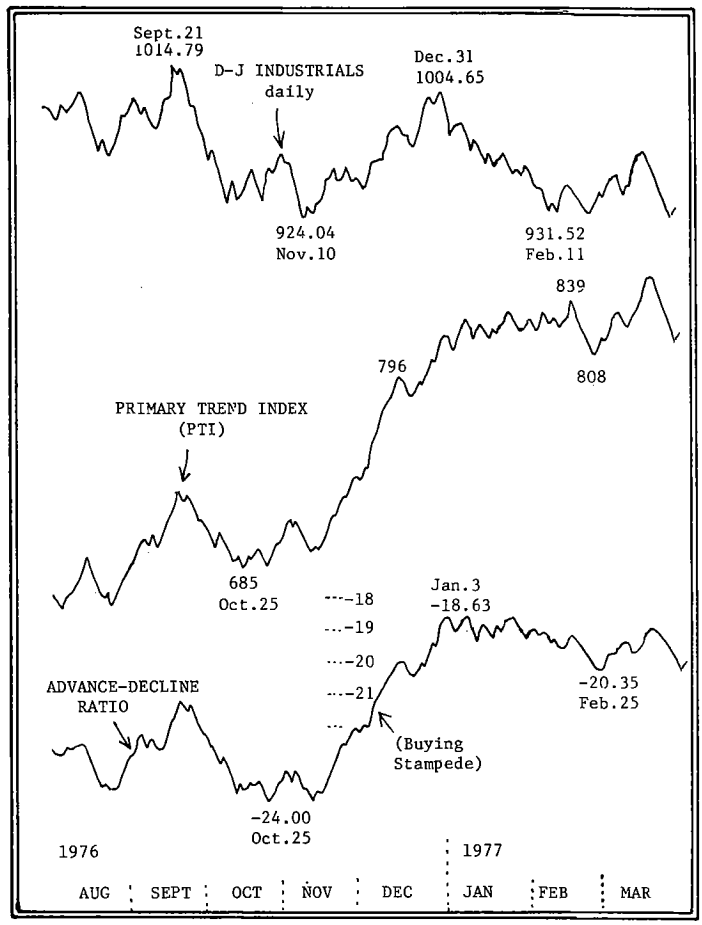
Following the October-November lows, the Averages rallied. The rally took Transports to a new bull market high of 237.52. Industrials refused to confirm, halting 10 points below their previous peak. With that non-confirmation, the market headed down.

Industrials halted their descent at **931.52** (on February 11). Transports continued down, recording their low at **221.81** (on February 25). From there, a rally took the two Averages to mid-March highs, Industrials to 968.00 and Transports to 231.35.

At 968.00 the Industrials were just 4 points from their 200-day Moving Average (see page 1 chart). That resistance proved too much for the senior Average, and it went down to the lows again. At that point there were two sets of lows under the Averages. The first set was the February lows of **931.52** (Industrials) and **221.81** (Transports). And below those were the very important October-November lows of **924.04** and **203.85**.

On Friday, March 25, the Industrial Average dropped below the 931.52 level, thus providing one **half** of a bearish indication. Transports refused to confirm in that they held almost 4 points **above** their comparable February low of 221.81. On Tuesday, March 29, the market rallied (more in Late Notes).

I want to remind newer readers that under Dow Theory, the indications of a single Average can never be accepted for predictive purposes. Thus, regardless of Industrials weakness, if



Transports hold above 203.85 and certainly above their higher bottom of 221.81, the bears will be living on hopes–not facts.

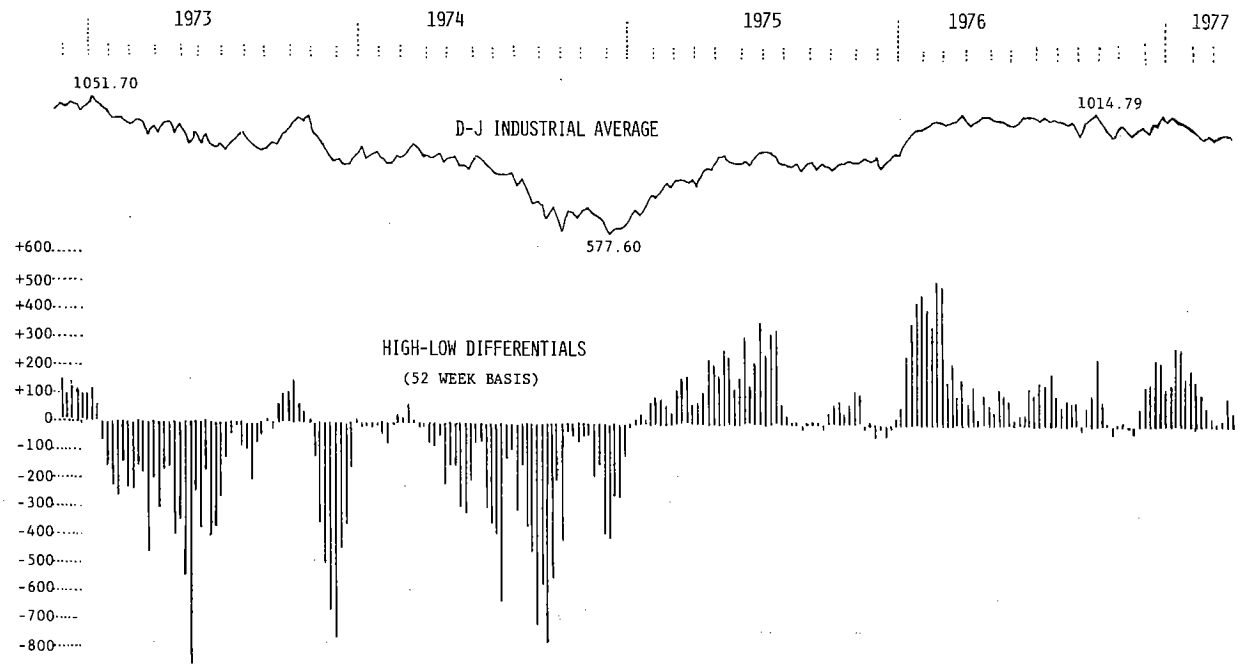
BREADTH: The chart shows the action of my two most important breadth measurements, the *Primary Trend Index* and the *Advance-Decline Ratio*. On the late-March decline, the PTI has held above its February low, despite the fact that the Dow broke below its own 931.52 February low. The A-D Ratio broke just below its February low.

On a larger reading, it's important to note that the Dow on March 28 approached to within 2 points of its November low of 924.04. Transports held roughly 10% above their comparable low. The PTI on March 28 was 130 points above its October 25 low, while the A-D was almost 4 points above its October 25 low. It is also interesting to note that the A-D Ratio has, so far, never fallen more than 2 points below its bull market high recorded on January 3. My conclusion is that a number of critical indicators have, so far, valiantly resisted the weakness in the Dow. That constitutes the most hopeful factor in this very difficult market.

THOSE WEEKLY HIGHS AND LOWS:One of the worst adjustments in technical analysis is *Dow Jones'* adjustment of the new highs and lows. The adjustment works like this (we'll use 1976 as an example). As the year 1976 extends, all the new highs and new lows for the year are tabulated daily. As 1977 enters, the high-low is extended until (by March) the new highs and lows for all of 1976 and the first three months of 1977 are tabulated. In other words, 15 months of statistics are used. At mid-March, the big adjustment arrives. As of mid-March the whole year 1976 is erased from the statistics and the new high-low tabulations go back to only January, 1977. Thus a huge and deceptive discrepancy appears overnight and the number of new highs and new lows expands tremendously (as of March 15, any stock that has made a new high or new low over the last three months makes the list).

The figures I like to use are the *M/G Financial* highs and lows which are "moving figures" that always cover the last 52 weeks. Thus, no adjustment is ever needed, and the figures are always correct for comparison purposes. I include a chart on this page showing the 52-week high-low figures on a weekly differential basis (if, on a given week, there were 300 new highs and 100 new lows I would enter a plus 200). Many analysts also claim that preferred stocks distort the Dow Jones high-low figures and the M/G Financial figures eliminate the preferreds.

In the last Letter I drew attention to the fact that there have been only three weeks since January, 1976, which produced more lows than highs on the 52-week basis. This is quite extraordinary, but the 1977 situation is even more amazing. The Dow Industrials have now dropped about 9% from their September, 1976 high of 1014.79. This month the Dow flirted with its lowest level in 14 months. Yet there has not been a

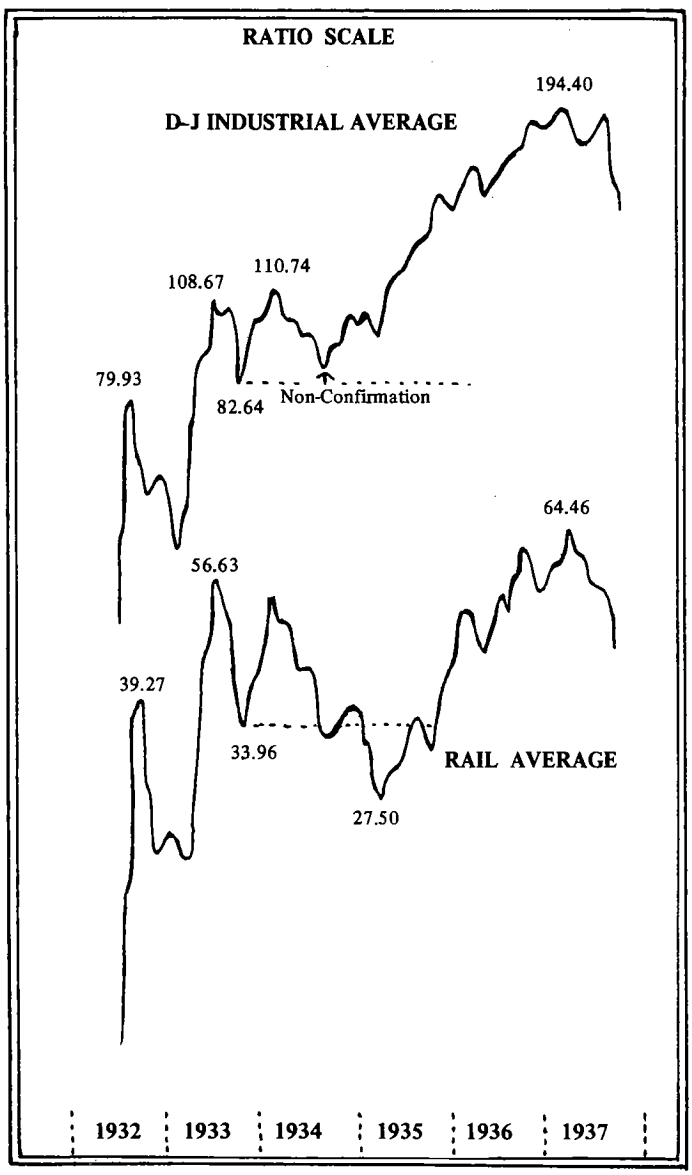


single week (so far) during 1977 in which new lows outnumbered new highs. I doubt whether there has ever before been a decline of as much as 9% in the Dow without tipping the new high and low figures to the downside.

What is this very unusual performance on the part of the weekly high-lows telling us? For one thing it is underscoring the fact that the A-D Ratio and the majority of stocks have been reluctant to follow the Dow to lower levels. It is also telling us that there is a stubborn, "hidden" strength in this market that does not want to be dissipated. Frankly, I'm fascinated to see whether the highs and lows can continue their astounding performance. For the fact is that you just don't have a basically weak situation as long as the market persistently grinds out more new highs than new lows.

1977 AND 1934:Back in Letter 636 (July 16, 1975) I published a piece on the very difficult 1932-37 bull market. The 1932-37 bull market, like the one that began in late-1974, was a **post-crash affair**, and it contained a period of price movement which may not be too different from the one we are seeing now. For that reason, I want to review the 1932-37 bull market again, and particularly the period around 1933 to 1935.

I have drawn a chart (ratio scale) showing all the action of the 1932-37 bull market. The great 1929-32 crash ended on July 8, 1932. Investors of the day were amazed to see the Averages bottom out at 41.22 (Industrials), 13.23 (Rails), then rally in what amounted to a straight-up explosion. By September, Industrials had advanced to 79.93, Rails to 39.27. The rise was not unlike the 1974-75 post-crash advance.



Next came a correction, followed by a new upward surge, one that took the two Averages well above their previous 1932 peaks. At the point where both Averages bettered their September, 1932 highs, a primary bull market was signalled under Dow Theory. The advance continued to spectacular (percentage-wise) highs of 108.67 for Industrials, 56.63 for Rails.

Another secondary correction took place, driving Industrials and Rails down to October, 1933 lows of 82.64 and 33.96. Note carefully those important lows on the chart. Following the October, 1933 lows the two Averages surged up again, but although Industrials (the stronger Average) bettered the 108.67 level, Rails refused to confirm (perhaps as Industrials refused to confirm last January).

A grim period then followed. With secondary lows at 82.64 and 33.96, any decline which might take **both** Averages below the secondary points would signal a new bear market. In July of 1934 the two Averages flirted dangerously close to the secondary lows. In early August the Rails actually penetrated 33.96, thus giving one half of a primary bear signal. The Averages lifted, but by February, 1935 weakness again hit the market. This time Rails fell well below the 33.96 point. Writing on February 9, 1935, the great Dow Theorist, Robert Rhea stated, *"Rails have not only penetrated their former low but have given their half of a bear market signal by selling below their low point of October, 1933. Meanwhile, Industrials have stubbornly held above their point.....Thus, to date at least, we can say that the Industrials have given the lie to Rails effort to cry 'bear market,' without, however, having given any particular evidence of strength."*

By March 28, 1935, Rails had dropped to a frightening 27.50, half their peak of two years before! But that proved to be the final bottom for the carriers. The Industrials had never confirmed and the worst was finally discounted and over. The Averages (and the general market) turned up from the March low and roared higher for two solid years–to a final peak recorded on March 10, 1937.

I have had the 1932-37 bull market on my mind ever since the current bull market began in late 1974. I have written that following crashes of the magnitude and destructive power of 1929-32 and 1973-74 the market does not "just get to its feet" and plow steadily and persistently higher. The market suffered "a heart attack" during 1973-74, and great damage was done both to Wall Street and the US economy. That is why even in July, 1975 (Letter 636) I was re-studying the 1932-37 affair.

To take it to the present: "What happens now," I ask myself, "if the Industrials break below their 924.04 low but Transports refuse to confirm in that they refuse to break below 203.85?" My answer is that in that case we could have a repeat of 1933-35. A Transport non-confirmation, regardless of Industrial weakness, would (1) keep the primary bull trend intact, and (2) set the stage, in due time, for a major bull market advance.

"Very good," you respond, "and now tell us, Russell, what happens if both Averages break below their late 1976 lows, Industrials below 924.04 and Transports below 203.85?"

If that occurred, I would have to concede the sad possibility that a bull market began in October, 1974 and ended in July, 1976 (at the last confirmed highs). That would mean we had seen a very abbreviated bull market lasting only 22 months. It would also mean that we were already 9 months into a new bear market. Since bear markets tend to last about one-third to one-half as long as the preceding bull market, the only happy thought here would be that the bear market might not have long to run.

One might also raise the question, "How could we have had a completed bull market without the evidence of a full-fledged third phase, a speculative, frothy third phase of the type that appears in almost every bull market?" My only answer here would be that history would then have to record the rather sub-normal fireworks of early 1976 as a "third phase." To my mind, the true manifestations of a third phase have not appeared so far in this market (except for the big rise in margin debt). But I don't argue with oncoming cars, I don't argue with a stampeding herd of California cattle, and I don't argue with the stock market when it wants to go North or South and I happen to be pointing in the opposite direction.

To conclude, I hope that at worst, we may have a repeat of the 1933-35 affair, and that even if one Average breaks its late 1976 low, the other will be kind enough to save the day by not confirming. At this point the stronger Average is obviously the Transportation Average, and it is still a long way from its current level down to 203.85.

It would also be well to realize that what is involved here is **a lot more** than just the stock market or our current risk position as far as assets are concerned. A primary bear signal would contain the seeds of potential tragedy, not only for this nation but probably for the entire Free World as well. Obviously, a joint breaking of the October-November lows should find us in a highly liquid position with the bulk of our assets (if possible) in T-bills, gold coins, and anything else that might withstand the torrential winds and rains of a bear market. So much for the possibilities of a rotten outcome for this market, but I felt it was better to write this piece than to pretend that the possibility did not exist.

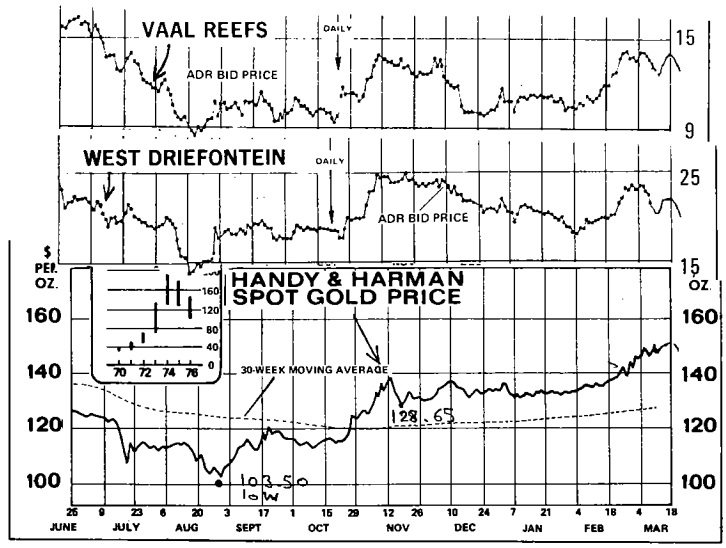
A final question: "What do I think the odds are for a bear market signal?" My answer is that the **odds are always against a reversal of the primary trend.** Moreover, taking this bull market to have started in October, 1974, it is now **only 30 months** (or less than three years) old. That's not much for a bull market, particularly a bull market that arrived following an eight year bear market (1966-1974). Therefore, **I sincerely doubt that a bear market signal will be given**, and I personally doubt that Transports (whatever Industrials do) are so weak that they will smash below 203.85. But that isn't "The Word,"–that's just Richard Russell offering an educated guess.

GOLD: The gold "play" just isn't easy the way it was during 1971-74, and readers of these reports should hardly be surprised. I never thought that it was going to be easy. Wall Street and the security markets seldom give us two picnics in a row.

I can't prove it, obviously I can't, but I have a suspicion that much of the bullion rise this year was due to worry that trouble in S. Africa could interfere with gold mine functioning and therefore gold production (S. Africa produces about 70% of the Free World's gold).

A good bit, but not all, of the gathering concern about S. Africa stems from the fact that Carter's UN representative, Andrew Young, has assumed the position of spokesman for black Africa. According to the authoritative *Evans-Novak* report, "*Some diplomats here believe that if Young's hard line against S. Africa truly represents President Carter's own position (as Young repeatedly claims), a break in diplomatic relations will be unavoidable. An isolated S. Africa, out of touch with Washington, does not bode well of the prevention of tragic race war.*"

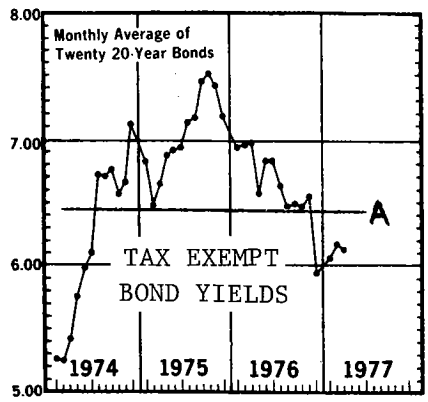
At any rate, the charts seem to be implying that investors are using the market created by rising bullion prices, as a vehicle in which to unload S. African gold shares. The charts below (which I pasted together) are included to illustrate my point. The charts are courtesy of *Kaffir Chart Service*, Palisades Park, NJ 07650.



Here we see ratio scale charts of two of S. Africa's great mines, Vaal Reefs and West Driefontein. The action here (in view of the gold movement) is revealing. Both stocks collapsed during the gold slide into August, 1976. Gold hit a low of 103.50 in late-August, then headed higher. During November (three months after the gold low) the gold shares hit peaks, West Drie at 25 and Vaal Reefs around 14. Around mid-November gold dipped to 128.65 at which point the gold shares were still near their peaks. From that point gold rose 20% to a peak of 153.55. But look at the action in the gold shares. Vaal never got much above its November peak, even at "over 150" gold, and is now well below its peak of last November (when gold was 128). On the latest rise, West Drie never even matched its November peak, and the stock is now well below both the November and March highs, this with gold still in the 150 and above area!

On the face of it, I would have to conclude that the gold shares are being sold under the guise of a good market in bullion. Which in turn confirms my own belief that the safest play in gold is in the coins, not the shares of S. African mines.

BOND YIELDS: In Letter 680 I showed this chart of yields for tax-exempt bonds (the chart shows bonds of 20-yr. maturities). At the time I noted the bullish "head-and-shoulders" top in the **yield** pattern, a top that suggested that tax-exempts had undergone a major reversal to lower yields. I also indicated that it would be normal to see a yield "pull-back," a (rally) pull-back perhaps to the technical support line, a line (marked "A" on chart) which should be considered resistance.



As you can see, the latest move in tax-exempt yields has been up–but up very slightly and nowhere near the resistance line at "A" on the chart. This should be telling us that tax-exempts are still strong, very strong. In fact, I would say that the tax-exempt market has been the single strongest market of 1977 (not including bullion and certain commodities).

My own feeling is that the leading tax-exempt no-load funds are still a good repository for high-income investors. Most of the leading no-load tax exempt funds (they're listed almost daily in the *Wall Street Journal*) are within minor percentages of their highs for the year.

ASSUMPTIONS: One of my pet projects is getting rid of assumptions, mine and other peoples'. Assumptions cause more damage than almost anything else I know. You sit down to dinner at a restaurant without looking at the prices on the menu. You assume they will be reasonable. The check comes, and the bill is outrageous. You assumed, but brother, you pay!

You tell your broker to buy Doggy Mfg. He does and the stock promptly collapses. But Gungho Financial Magazine gave it a great write-up, and you bought in on that basis. You assumed Gungho knew what they were talking about. It didn't.

You pass your boss in the office corridor. He's scowling, so you don't say anything to him. That afternoon he wants to know why you were so rude. "But I thought you were mad at me," you gasp. You assumed, but the fact was that his daughter just cracked up the family Mercedes.

And on and on. All assumption, all a product of your habit of being a "nice guy" and never asking questions that might be embarrassing or pushy, questions that might force you to be active instead of passive. Personally, I take the attitude that I "give myself permission" to ask anyone any damn question I want. If they don't want to answer, all they have to do is say so. If they're taken a-back, so be it. If they're embarrassed, I'm sorry, but embarrassment never killed anyone. If they think I'm rude, maybe they are right, but that's the way I get rid of my own assumptions, by asking questions. Being a whimp in the name of politeness is a total "cop-out" as far as I'm concerned.

The first thing I do when a new employee comes to work for me is to request that they "smother me with questions." I tell them, "Don't assume a thing. Don't even assume it's my business. Ask anything and everything you want. The more questions you ask, the smarter I'll think you are." We're taught, "If you're so smart, why do you have to ask questions?" That's rot. Whimpiness, smugness, stupidity and passivity are the reasons people don't ask questions. They believe it's safer and easier to live on assumptions.

You'll be amazed if you decide that you **have the right** to question anyone about anything. You'll change into a much stronger person, and your life will change as you do.

Along these lines, assumptions made in the past but carried right into the present are the foundation of most neuroses. Two psychologists, Dr. Albert Ellis and Robert Harper (from the book, "A Guide to Rational Living") made up this list of "irrational ideas." Check their list against your own preconceived notions (or assumptions). If you harbor **any** of these irrational ideas, do yourself a great favor, identify them, then jettison them, **kick them out**. You'll be that much more rational and healthy for the effort!

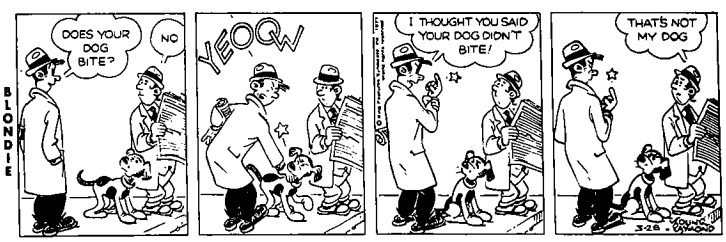
1. It is a dire necessity for an adult to be loved or approved by almost everyone for virtually everything he does.
2. One should be thoroughly competent, adequate, and achieving in all possible respects.
3. Certain people are bad, wicked, or villainous and they should be severely blamed and punished for their sins.
4. It is terrible horrible and catastrophic when things are not going the way one would like them to go.
5. Human unhappiness is externally caused and people have little or no ability to control their sorrows or rid themselves of their negative feelings.
6. If something is or may be dangerous or fearsome, one should be terribly occupied with and upset about it.
(98% of anxiety in modern life is little more than over concern for what someone thinks about you.)
7. It is easier to avoid facing many life difficulties and self-responsibilities than to undertake more rewarding forms of self-discipline.
8. The past is all important and because something once strongly affected one's life, it should indefinitely do so.
9. People and things should be different from the way they are and it is catastrophic if perfect solutions to the grim realities of life are not immediately found.
10. Maximum human happiness can be achieved by inertia and inaction or by passively and uncommittedly "enjoying oneself."

NOTES AND COMMENTS: With all the analysis of trends, many investors forget that the concept of **value** is still the major underlying consideration, no matter what you buy. Along these lines, I thought this comment from *Trendway*, PO Box 7184, Louisville, KY 40207 was appropriate: "*Our basic philosophical reason for owning shares in US corporations is that they are the most undervalued commodity in the world. The first evidence of transition in the stock market was the institutional change from the growth concept to total return. The new federal regulation that corporations must adopt replacement-cost accounting is the first step toward recognition of what assets in US corporations are really worth. This accounting change is going to scramble earnings reports because it drastically changes depreciation allowances and cash flow, but it is going to place more emphasis on a company's* ***book value*** *based on current replacement cost rather than actual cost. In many cases earnings will suffer but book value will rise. The catalyst that will increase the valuation of fixed assets is the large corporation which finds the economics are much better when purchasing a smaller company with good plant and equipment than building new plant and equipment. Capitalism is not yet dead. Ben Graham is credited for saying, 'value will eventually be recognized.'*

Lenin once said that when the time comes to hang all the capitalists, they will be found bidding for the rope contract. In my mind, he might just as well have added they would supply special credit for the whole scaffold. In the last five years, Western credits to the Soviet have risen from under $10 billion to over $40 billion. Thus, we are feeding them (US grain) and financing them. On top of this, it is estimated that private banks own 60% of that $40 billion in credits.

LATE NOTES: (Mar. 30) As this is written the Industrials, following a one-day rally, are again plunging. They are within a fraction of the November low of 924.04. But as detailed in this Letter's discussion of the 1932-37 market, if 924.04 goes under, that would still constitute only **half** of the story. The other half is contained in a single sentence which reads, "Will the Transports confirm?" There are two Transport levels to watch, the **221.81** low of February 25, and the very critical **203.85** low of October 12. If 221.81 is broken, it would be the time to sell some more stocks in order to protect ourselves. It would be time to be "very careful." If 203.85 is broken, subscribers should be in the storm cellars, and that means no stocks at all. ALL Dow Theory conclusions are based on **closing prices** for the Averages. So at this point, I don't know whether 924.04 is to be smashed or not, and I can only write on an "as if" basis. An added thought: As of today (Mar. 30) the Dow is down 8 out of 9 trading days. This is a very emotional selling spate and quite unusual. If the Dow can close above 924.04 in the face of this kind of selling, I think it may mean something.

WE'RE IN an emotional (teen-agers would call it a "hairy") market–and maybe it's time for a smile. At any rate, Dagwood is making a "painful" **assumption** here, and the right question would have saved him a trip to the Doc.



NEXT MAILING: April 13th.